



**CALIFORNIA CONTENT
STANDARD 11.6.2**

*Responses to the
Great Depression*

Specific Objective: Understand the explanations of the principal causes of the Great Depression and the steps taken by the Federal Reserve, Congress, and Presidents Herbert Hoover and Franklin Delano Roosevelt to combat the economic crisis.

Read the information to answer questions on the next page.

Causes of the Great Depression

- Tariffs and war debt policies cut down the foreign market for U.S. goods.
- A crisis in the farm sector led to falling prices and increased debt.
- The Federal Reserve kept interest rates low and encouraged borrowing that led to excessive debt.
- An unequal distribution of income led to falling demand for consumer goods.
- People bought stocks on credit, which meant huge losses when stocks did not rise.
- The stock market crash fueled a financial panic.

Hoover and Congress Respond (1929–1932)

- Initial inaction—tried to let economy fix itself
- Tried to convince businesses to invest—unsuccessful because of huge business losses
- Cut government spending and raised taxes tried to balance budget but made problems worse
- Congress increased tariffs—tried to protect U.S. businesses, but when other countries did the same, exports and demand for goods dropped.
- Federal Reserve—lent money to banks and allowed interest rates to drop in 1930, but in 1931 it did not do enough to keep banks from failing.

Roosevelt's New Deal (1932–1940)

Relief for Needy People

- Jobs programs decreased unemployment (though it remained high until World War II).
- Provided loans to protect people's homes; Provided direct relief to people through state and federal programs to help unemployed, aged, and ill

Economic Recovery

- Tried to lower production to meet demand
- Assisted farmers by helping raise prices (paid them to destroy products and leave land unplanted)
- Regulated industry with rules for production, fair competition, and worker pay and conditions
- Increased money in economy through huge jobs programs and public building projects

Financial Reform

- Restored faith in banks by closing them until they were inspected and found to be in order
- The Federal Reserve Act created the Federal Deposit Insurance Corporation to protect people's money deposited in banks.
- Supported regulation of stock market to prevent false information and financial gains to insiders with special information